



## Notification of small business relief package (and consequent withdrawal of authorisation application)

Following capital management guidance received from APRA and to streamline the administrative, consultation, and reporting processes under each of the interim authorisations granted by the ACCC on 20 March 2020 and 30 March 2020 respectively, the Australian Banking Association (**ABA**) and its member banks:

- notify the ACCC under the interim authorisation granted by the ACCC on 30 March 2020 (number AA1000482) of an agreement between certain member banks to implement a support package for small business customers experiencing financial difficulties as a result of COVID-19 on the terms set out below (**small business relief package**); and
- consequently withdraw the application for authorisation of the small business relief package (number AA1000475-1) submitted on 19 March 2020 from the point at which this notification made under the interim authorisation granted by the ACCC on 30 March 2020 (number AA1000482) takes effect.

The small business relief package will continue to operate under this notification in substantively the same way as under the first interim authorisation, subject to a change to the customer's currency requirements for new applicants as a result of subsequent conditions advised by APRA. Customers who have already received relief under the small business relief package will not be impacted by the conversion.

### Background to notification

On 20 March 2020, the ACCC granted interim authorisation (number AA1000475-1) to the ABA and its member banks to agree and implement the small business relief package (**first interim authorisation**).

On 30 March 2020, the ACCC granted interim authorisation (number AA1000482) to the ABA and its member banks (and their suppliers and agents where relevant) to implement further financial relief packages and steps to ensure high levels of customer service and accessibility to banking services that benefit customers (**second interim authorisation**). Under the second interim authorisation, the ABA is required to notify the ACCC of any financial relief programs or other arrangements that are agreed between member banks (and their agents or suppliers where relevant).

Following the first interim authorisation being granted, APRA announced that it would be providing specific capital treatment for loans under which repayment deferrals of up to six months are granted by banks (and other authorised deposit-taking institutions), provided that the customer is current in terms of repayments on existing facilities 90 days prior to the application for the deferral. This requires an update to the customer's currency requirements under the small business relief package for new applicants to be eligible for the package. The date to assess currency was previously set at 1 January 2020 prior to APRA's guidance being announced.

Member banks have experienced significant uptake of the small business relief program and supplementary business relief program notified under the second interim authorisation. The financial impact of COVID-19 is rapidly increasing and evolving, and member banks may need to implement further financial relief packages and steps to ensure high levels of customer service and accessibility to banking services.

The ABA has therefore used this opportunity to streamline the administrative, consultation, and reporting processes under the interim authorisations by withdrawing its application for authorisation for the small business relief package and instead notifying the small business relief package on the same terms, subject to the above amendment, under the second interim authorisation.



The conversion from the first interim authorisation to a notification under the second interim authorisation will not impact any relief granted to customers under the small business relief package or supplementary business relief package to date.

## Description of conduct notified

The ABA notifies the ACCC under the interim authorisation (number AA1000482) granted to the ABA and its member banks on 30 March 2020, of:

- the continued implementation by member banks of relief to customers under the small business relief package granted during the period of operation of the first interim authorisation; and
- an agreement between member banks to implement the small business relief package going forward for the currency of the interim authorisation, and final authorisation if granted, on the terms set out below,

to assist small businesses to remain viable and continue to contribute to the Australian economy, while taking care that they should not be in a worse position longer term than they currently are.

As at the date of this notification, member banks who have indicated a commitment to offer the small business relief package are listed in Appendix 1 (**participating member banks**).

The small business relief package:

- includes a deferral of principal and interest repayments for all term loans and retail loans of a **small business customer** for up to 6 months (interest will be **capitalised**); and
- is open to all **current small business customers** of a participating member bank, where the customer has advised that its business is affected by COVID-19, in all sectors of the economy, and on an **opt-in basis**.

The small business relief package is intended to provide for the minimum level of relief to be offered to small business customers by the member banks who elect to implement it. Some member banks may independently elect to implement more extensive relief measures.

For the avoidance of doubt, any customer of a participating member bank that is entitled to relief under each participating member bank's existing hardship programs, retains that entitlement, in addition to any entitlement under the small business relief package.

In implementing the small business relief package, participating member banks will apply all of the following definitions and criteria:

- the definition of "small business" will draw on the definition in the Banking Code of Practice (as authorised by the ACCC), amended for context. A business qualifies as a "small business" if, at the time of applying for the relief it has less than \$3 million total debt to all credit providers including:
  - any undrawn amounts under existing loans;
  - any loan being applied for; and
  - the debt of all its related entities that are businesses;
- "current small business customer" means small businesses who have an existing indebtedness with the participating member bank and who were less than 90 days past due in terms of their repayments on their existing facilities at the beginning of the repayment deferral;



- “opt-in basis” means that small business customers will be required to contact participating member banks to indicate that they would like their term and retail loan account principal and interest repayments to be deferred on application from the customer;
- customers will self-assess whether their businesses have been impacted by COVID-19 and no further verification will be required – if the other criteria mentioned above are met customers will be entitled to relief under the small business relief package on application; and
- “capitalising the interest” means that participating member banks will, based on existing loan terms in the context of customers’ requirements, either:
  - extend the term of the loan repayment to account for the interest incurred during the deferral period and keep the level of repayments following the deferral the same as that the customer had paid prior to deferral; or
  - increase the level of the loan repayments to account for the interest incurred during the deferral period, but keep the term of the loan repayment the same as if the deferral had not occurred.

For the avoidance of doubt, participating member banks will not apply or require a payment of the capitalised interest in a lump sum at the end of the deferral period.



## Appendix 1 – Participating member banks

- AMP Bank
- Arab Bank
- Australia and New Zealand Banking Group Limited
- Bank Australia
- Bank of Queensland Limited
- Bendigo and Adelaide Bank Limited
- Citigroup Pty Ltd
- Commonwealth Bank of Australia
- ING
- Macquarie Bank
- MyState
- National Australia Bank Limited
- Suncorp Bank
- Westpac Banking Corporation